

## Our three calls for rates in 2022

Negative rates will remain a major feature of 2022 but we are already seeing some significant movement



A screen showing market data in Shanghai, China

### 1 US 10yr to hit 2%

The last time the US 10yr was at 2% Covid was a remote, even unlikely issue at the end of 2019. Even with variants hitting us as we head into 2022, the pull of inflation should help to drag us back up there again. It's a tough one though, as persistent demand for core fixed income remains in play, practically regardless of price. Buying bonds continues to come with deep negative real rates. These will shrink as 2022 progresses, but even by the end of 2022, negative real rates will remain in play right out to beyond the 10yrs maturity.

### 2 Eurozone 10 year swap rate to breach 50bp

If the US 10yr hits 2%, the Eurozone 10yr swap rate should get to 50bp at least. It's not been there since the second quarter of 2019 and, in a way, this is a bigger call. It requires a repeat of the rise in the 10yr rate seen in 2021, and that was quite a heavy lift. This should help pull the 5yr structurally back above zero too, but rates with maturities of 3yrs and below will likely remain negative throughout the year, held back by the -50bp depo rate, which is on a promise not to be touched in 2022.

### 3

## Curves to steepen, but 2022 should be dominated by ultimate flattening

The driver here is the Federal Reserve. Room should be made for hikes, with the US 10yr pivoting higher first. But from there, front end rates in both the US and the eurozone should come under upward pressure, re-flattening curves. This will be led by the US 2yr, with its spread versus the Eurozone 2yr coming under widening pressure. The same should happen in ultra-short maturities once the US debt ceiling is raised as liquidity is taken out of the system.

### Author

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).